



-Week Ending 11/14/08-

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Thanks to MNB
for this selection of
articles.

Thanksgiving Dinner This Year Will Be More Expensive

The *Los Angeles Times* reports that a new report from the American Farm Bureau Federation says that the average cost of a Thanksgiving dinner – including turkey, stuffing, potatoes, cranberries, pumpkin pie – will be up 5.6 percent this year compared to 2007, to \$44.61 for ten people.

However, the group notes that adjusted for inflation, the cost of Thanksgiving dinner is a better deal this year than it was 20 years ago, and is cheaper per-person than a fast food meal.

Fresh & Easy Hits Milestone, But Applies Brakes To Expansion

Tesco-owned Fresh & Easy Neighborhood Markets announced yesterday that it has opened its 100th store only one year after launching its US business in Southern California, Arizona and Nevada.

However, perhaps not surprisingly, the press release did not include news that was reported by the *International Herald Tribune*: that Fresh & Easy also is slowing its pace of US expansion. The company hoped to have 200 stores opened by February 2009, but because of the economic slowdown pervading the US, now believes it will hit that milestone by November 2009.

"It's prudent to slow things down a bit," CEO Tim Mason tells *IHT*, and says that while it has announced plans to open stores in Northern California, those plans could be put on hold until the economy improves.

According to the company, "Fresh & Easy has opened 26 stores in Phoenix; 25 in Las Vegas; and 49 in Southern California. The company continues to secure more locations each week and has secured a strong pipeline of stores in California, Arizona and Nevada."



Study: People Getting Smarter About Diet, Exercise

The *Los Angeles Times* reports that the American Dietetic Association has done a new survey revealing that people are getting smarter about diet and exercise.

According to the story, "When asked about maintaining a healthful diet and engaging in regular exercise, 43% said, 'I'm already doing it.' In 2002, that number was 38%. People in the 'I know I should' category -- who understand a healthy lifestyle is critical but haven't done much to achieve it -- numbered 38%, up from 30% in 2002. And just 19% of men and women put themselves in the 'don't bother me' category -- not believing that diet and exercise are important. That's down from 32% in 2002."

Price Chopper Teams With *Eating Well* As Food Resource

Upstate New York-based Price Chopper Supermarkets announced yesterday a new partnership with *Eating Well* magazine that is designed to "deliver delicious, easy recipes that meet stringent guidelines for taste and nutrition and are easily replicated by home cooks; report on the latest news on nutrition and health, providing actionable, science-based answers and encourage people to make informed, mindful eating decisions."

Eating Well editorial content is seen by Price Chopper as both compatible with its own "Healthy U" initiative, which provides information on nutrition and diet and offers a forum for Price Chopper shoppers to share comments on nutrition issues in stores, online, and at community events.

The partnership will be realized, according to the retailer, through new *Eating Well* recipes and health guides in stores, a new series of wellness topics and resources on the "Healthy U" page of Price Chopper's website, and *Eating Well* cookbooks and magazines available throughout the supermarket's footprint.

Schnucks Opens New 'Green' Store

The *Evansville Courier & Press* reports that St. Louis-based Schnucks has opened its newest store, in Newburgh, Indiana, with Earth-friendly features that will "focus on lowering energy and water use, reducing contributions to landfill waste and increasing the use of recyclables and recycled materials."

According to Ross Hutsel, Schnucks director of facilities engineering, the retailer is "pursuing a 'building block' approach that allows them to upgrade each new store with the latest advances in energy and water efficient technologies and building practices."

"The new Newburgh store is a continuation of our work to date and another step toward our goal of achieving a LEED (Leadership in Energy and Environmental Design) certified prototype store design," Hutsel tells the paper.

Sansolo Speaks: The Whole Picture

by Michael Sansolo

In the middle of last week, 10 students at my son's college were arrested. Their crime: performing the Star Spangled Banner. It's true.

Now the odds are that you had a reaction to that previous paragraph, but the reaction might be entirely wrong without understanding the context of the arrests. Here are the details that matter.

1. My son wasn't involved. (Sorry, I'm a parent and it was the first question I asked.)
2. The students launched into the anthem after hearing the results of Tuesday's election. Many of them had voted for the first time and they were feeling patriotic. In fact, there were reports that many in the crowd were crying while the anthem was played.



3. The problem wasn't that they played the anthem. The problem was they played it in the streets of Rochester, NY, at 1 a.m. One of the students admitted later that bringing cymbals into the street after midnight should have convinced someone that this was a bad idea.
4. My son's college is a conservatory with only 500 undergraduate students. That means the students performed the anthem really, really well, but it also means an enormous percentage of the student body was arrested that night. If the same percentage had been arrested at a major state school, the number of detainees would have topped 1,000.
5. Everyone was released without fuss.

In short, context tells us everything. Without knowing the facts around an event, we have no idea how to act or react. Context is why we greet gasoline prices dropping to \$2 per gallon with glee this year when just a few years ago we would have been stunned at such high prices. Similarly, it's why we look at the Dow Jones hitting 8,500 with dismay when for most of history that amount was unthinkable high.

(Likewise, there were many times in my life when the notion of college students solemnly performing the National Anthem would have been equally shocking.)

Context matters in our industry too. Providing the entire story is part of the narrative we have to give our employees and our customers to make sure they understand why things are the way they are. Whatever the challenge is—economics, health and wellness, the environment or more—too often we neglect the story. We don't give context and the absence hinders us from greater gains.

For instance, right now shoppers are rightfully worried. They hear, see and feel the economic news and they worry about how to make ends meet. They look at rising food prices and look at their budgets and try to figure out what's happening. If we give them context, the story changes.

Context is how we tell them to save money while shopping for food. Context is when we position meals, not ingredients and when we display the range of choices in stores. Context is when we put together the picture of good health and how eating better can work.

Luckily, there are examples of context out there. There are great retailers who talk about meals and health in a way that consumers understand. Walk into a Wegmans and see the displays of entire meals featuring all the ingredients you need to make them. Look at the signs in Whole Foods talking about the path products take in getting to the stores. Look at the product information in Trader Joe's giving every item a unique and interesting story. Look at the clear definition of price value in Walmart, Aldi and more.

Context means the story is told well and with context facts suddenly make sense. Context is the difference between 10 kids being arrested for playing the Star Spangled Banner and 10 students being detained briefly for being a public nuisance at 1 a.m.

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Minute Clinics Put Front & Center By CVS

In Minnesota, the *Star Tribune* reports that CVS is counting on its Minute Clinic offering to draw "first time customers to its stores and clinics," and therefore give it an advantage in the chain drug store and retail pharmacy competition.

According to the story, "With a goal of delivering 1 million flu shots this year, the company recently launched a high-profile advertising campaign that, for the first time, puts its MinuteClinic outlets front and center. National TV ads promoting the flu vaccinations began airing in October and showed up during such marquee broadcasts as the Major League Baseball playoffs."

There currently more than 550 Minute Clinics in 27 states, the *Star Tribune* notes.



The Case For Innovation In A Time Of Economic Tumult

Interesting column by marketing expert Barry Curewitz in *Advertising Age*, in which he suggests that “as everyone struggles just to stay above water, now is exactly the time to redistribute your resources to develop unique products that deliver a new consumer experience and create a franchise capable of long-term, significant growth.”

Curewitz writes: “Line extensions, brand expansion, true innovation: There’s a place for each strategy in every brand portfolio. Introducing line extensions in a mature category is a pre-emptive measure to maintain share of shelf, not stimulate significant growth. Brand expansion works so long as the equity is protected or enhanced and the new products support the initial positioning and identity. Innovation, while risky, offers many more learning experiences for the company as well as much greater growth. Interestingly, there is usually a direct correlation between the resources needed for these initiatives and the potential upside. That’s why it’s important to include each of these strategies in your plan.”

Convenience, Japanese-Style

The *San Diego Union Tribune* has a terrific story about the Japanese convenience store business, which sounds like it defines the idea of “convenience” a little differently than its US brethren.

Some excerpts:

“At Happy Lawson, a kid-friendly store that overlooks Yokohama Harbor, customers can buy fresh sushi and carbon offsets, pay income tax and change diapers, book airplane tickets and sip vodka coolers. There’s hot soup, cold beer, fresh bread, clean toilets, french fries, earwax remover, spotless floors, and a broadband-empowered machine that will order home appliances, book concert tickets and sign a customer up for driver’s education.

“No Big Gulp, no Slurpee, no mini-pizzas sweating grease under a hot light, but you can drop off luggage for the bullet train and park a stroller beside the bar that abuts the toddler play area.”

- “At FamilyMart, customers can make appointments for someone to vacuum their home. At 7-Eleven – now run by a Japanese-owned company – there’s a drop-off laundry service.”
- “Nearly any bill in Japan – utility, phone, cable or tax – can be paid at a convenience store. About \$80 billion in bills were paid that way last year.”
- “Food, too, is intensively managed and several cuts above the quality generally found in U.S. convenience stores. The typical Japanese store is visited 10 times a day by delivery trucks, most of them bringing in fresh lunch boxes, pastries, desserts and vegetables – and hauling away perishable food that has failed to sell in the past few hours.”

FastNewsBeat

- Published reports say that discounter Aldi plans to launch a new travel business in the UK, which will be promoted through its 400 supermarkets there. The move is new for Aldi in the UK, but the company has had experience with it in Austria...where the retailer is that nation’s second largest tour operator.
- Published reports say that Supervalu spent \$170,000 and Safeway spent \$270,000 during the third quarter to lobby the federal government on issues such as retail crime, food safety and other issues.
- Safeway and OfficeMax announced a partnership that will put OfficeMax products into some 1,600 Safeway stores around the country, using co-branded aisle displays to highlight roughly 300 SKUs.
- The *Houston Business Journal* reports that HEB’s newest store in the metro area “will be the grocery chain’s first LEED-certified store in the local market,” gaining certifications from the US Green Building Council.



- The *Wall Street Journal* this morning reports that food retailers are engaged in a concerted effort to “take the gross out of grocery carts.

“Though hardly Public Enemy No. 1, shopping carts are gaining a reputation as one of the dirtiest public places, with some found to harbor such microbial villains as the diarrhea-causing *Campylobacter* and the potentially deadly *Salmonella*.

“Cleansing-wipe dispensers have been appearing next to shopping carts at grocery stores for some years now. But a host of other products have emerged to appease germophobes who shop. These new offerings include protective covers that minimize infants' contact with the seat, full-cart liners and portable, snap-on handles carried by consumers. Grocers hope the efforts boost perception of their stores<' especially at a time when they are looking for any and all differential advantages.”

The MNB Wal-Mart Watch

- *Business Week* reports that Walmart has made a deal with the US Army Reserves that will have the retailer helping to recruit and train people who can work both for the Army and Walmart. According to the story, “An agreement signed Tuesday obligates Wal-Mart to interview and consider all qualified, participating soldiers for employment after they complete military occupational specialty training ... When a reserve soldier who works at Wal-Mart is called to service, the company can draw on 1 million or so citizen soldiers to help identify a qualified replacement to work in the soldier's place. The arrangement is expected to lower costs of recruiting and training for Wal-Mart.”

Similar programs reportedly exist at companies that include J.B. Hunt Transport Services Inc., Sears Holding Corp., Manpower Inc. and Northrop Grumman Corp., among others.

The Balance Sheet

- Loblaw Cos. said yesterday that its third quarter profits were up 32.5 percent to the equivalent of \$126.8 million (US), on sales that were up 3.9 percent to \$7.8 billion (US), with same-store sales up three percent.

However, the company cautioned against reading too much into the dramatically improved numbers, saying that the fourth quarter and coming year are expected to be extremely challenging.

- In the UK, J. Sainsbury said that its first half net profit was up 5.6 percent to the equivalent of \$261.6 million (US), on revenue that was up 7.4 percent to \$13.7 billion (US). Same-store sales were up 3.9 percent.
- Walmart reports that its third quarter sales were \$97.6 billion, up 7.5 percent from the \$90.8 billion recorded during same period a year ago. Q3 income from continuing operations for the third quarter was \$3.033 billion, an increase of 6.6 percent from \$2.846 billion in the third quarter last year.

However, it is worth noting that a story in the *Wall Street Journal* this morning reports that some analysts believe that the down economy could have a negative impact even on Walmart, which could see dropping □same-store sales as consumer buying habits change.

- Supervalu said that its Q2 profit dipped to \$128 million, from \$148 million during the same period a year ago. Sales rose less than 1 percent to \$10.23 billion from \$10.16 billion, and same-store sales were down 1.3 percent.
- Starbucks announced that its fiscal fourth quarter profit was \$5.4 million, down precipitously from the \$158.5 million earned during the same period a year ago. Q4 sales rose to \$2.5 billion, from \$2.4 billion.



- PriceSmart, the membership club company with outlets in Central America and the Caribbean, said that its Q4 revenue was \$292.0 million, compared to \$230.1 million in the prior year. The Company had 25 warehouse clubs in operation as of the end of fiscal year 2008 compared to 23 warehouse clubs in operation at the end of fiscal year 2007. Operating income in the fourth quarter of fiscal year 2008 was \$12.9 million compared to operating income of \$2.1 million in the fourth quarter of fiscal year 2007.

Total revenue for fiscal 2008 increased 26.0% to \$1.1 billion from \$888.8 million in the previous year.

- Delhaize reported late last week that its Q3 earnings were the equivalent of \$132.9 million (US), up 8.3 percent at identical exchange rates over the operating profit during the same period a year ago. Sales for the company were up 4.8 percent to the equivalent of \$5.97 billion (US), with same-store sales up 2.5 percent in the US and 3.7 percent in its Belgium home market.

- Dollar Tree reported that its third quarter sales were up 11.6 percent to \$1.11 billion, on same-store sales that were up 6.2 percent compared to the same period a year ago.

- BJ's Wholesale Club reports that its October sales were up 11.6 percent to \$738.8 million, from \$662.1 million during the same period a year ago. Same-store sales were up 10.2 percent for the month.

For the just completed third quarter, BJ's sales increased by 13.4 percent to \$2.4 billion, and same-store sales increased by 11.9 percent.

Executive Suite

- Dollar General said yesterday that it has appointed Todd J. Vasos, the former executive vice president/COO for Long's Drugs, to the role of division president and chief merchandising officer for its 8,300-store network.